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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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**DIA AND DOS REVIEW COMPLETED**

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SOVIET UNION

1. Possible return of bomber regiment to Soviet Zone of Austria: The US Air Attache in Austria reports that seven IL-28 twin jet light bombers arrived at Wiener Neustadt airfield south of Vienna on 26 September. This brings the total of IL-28 aircraft observed at that airfield to ten.

The air attache suggests that the 748th Guards Bomber Regiment may be returning to the Soviet Zone of Austria from Tokol airfield in Hungary. [REDACTED]

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Comment: The 748th Guards Bomber Regiment was transferred to Tokol airfield from Austria in October 1951. At the time of the transfer it was equipped with PE-2 type aircraft, and it is believed to have started conversion to jets during the last part of 1951.

The other regiments of the 164th Guards Bomber Division, which were also equipped with PE-2 aircraft, are reported to have moved to the Veszprem airfield in Hungary in December 1951 or January 1952. There is no evidence that these regiments have converted to jet aircraft.

Return of the 748th Guards Bomber Regiment to Austria could indicate the beginning of the return of the entire division.

2. French official sees hardening of Soviet attitude toward US: The Kremlin's top priority objective for some time will be to divide the Western allies, particularly to separate the United States from the others, according to a high French Foreign Ministry official. He believes this policy was manifested by Stalin's article in Bolshevik, the jettisoning of the militants Marty and Tillon, and the adoption of a more

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"bland" Communist line in France. The official considers Ambassador Kennan a victim of the new Soviet effort, and points out that the Russians have recently increased their friendly gestures toward the French and British in Moscow.

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Comment: Stalin's article indicates that the USSR envisages a prolonged period of coexistence contingent upon the dissolution of the aggressive Western alliance and isolation of the United States as principal aggressor.

EASTERN EUROPE

3. Cominform reorganization reported: According to the American Legation in Bucharest, the Yugoslav Charge reports a rumor that the USSR is planning to dissolve or reorganize the Cominform to achieve still greater control. The Legation believes this to be the same rumor as that from the Yugoslav Charge in Budapest which the American Legation there reported in September.

There is no confirmation of the report. Western diplomats in Bucharest believe that dissolution is unlikely, and that any reorganization would be purely administrative since the USSR already exercises maximum control.

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Comment: Aside from publishing a weekly newspaper which provides ideological direction for all Communist parties, the Cominform has not been very active for the past two years. The last known general meeting was held in November 1949.

A reorganization to include other Communist parties may be held as a means of coordinating cold war strategy and tactics. The reported meeting of Secretaries-General of all Communist parties after the party congress in Moscow is perhaps intended for this purpose.

There may also be some connection between the above and the recent statement of Vittorio Vidali, Trieste Communist party chief, that his party had been approved for membership in the Cominform.

4. Radio Moscow attacks IRB loan to Finland: Radio Moscow charges that the International Reconstruction Bank loan

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recently granted to Finland is means for furthering American interests in Finland and is a pretext for American "inspectors" to enter the country and gather political and economic information. According to the broadcast, the Bank has been "most conscientious" in carrying out such inspections in countries bordering the Soviet Union, not only in Finland, but also in Turkey and Iran. [REDACTED]

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5. Hungarian Government decrees very high stock requirements for kulaks: A decree issued by the Hungarian Council of Ministers on 2 October requires all kulaks to have on hand by 1 January a minimum of six head of livestock including cattle, swine or horses for each ten yokes of land (14 acres) they own. They are forbidden to butcher any animals until they comply and are liable to prison sentences and fines of up to 5,000 forints for non-compliance.

The American Legation in Budapest notes that this requirement is more than twice as great as that decreed for cooperatives last month and that since most kulaks will be unable to follow the order because of a shortage of fodder and heavy crop surrender requirements, the measure may be used to liquidate them. [REDACTED]

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Comment: Kulaks have been under heavy pressure this summer in Hungary. It is a common Satellite practice to establish requirements for kulaks at such a high level that they cannot be fulfilled in order to open the way for punitive action against the kulaks and collectivization of their land.

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FAR EAST

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8. Heavy enemy action in Korea not seen as prelude to offensive: The Far East Command believes that the 6 October coordinated Communist attack in western and central Korea is not preliminary to a general offensive. FECOM warns, however, that limited-objective attacks will probably increase in size and number until colder weather sets in or until the UN Command assumes the offensive.

The primary objective of the attacks, as interpreted by FECOM, is the seizure of key terrain features and areas still in question at the cease-fire talks. Another objective may be to keep UN forces off balance.

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9. North Koreans expect UN to give in soon at Panmunjom:  
At a late August meeting of the Kaesong branch of the Labor Party (Communist), [REDACTED], an official from the party's central committee stated that the UN "will find it necessary to make concessions and that a break in the truce deadlock could be expected before November." [REDACTED]

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Comment: This statement is probably intended as a morale booster for local officials. It is possible, however, that the Labor Party official was hinting at a new Communist tactic to secure UN concessions at Panmunjom through military pressure.

10. Rail traffic in China predominantly northward since July:  
The Ministry of Railways is reportedly concerned by a preponderance of northbound rail traffic which has developed since July, [REDACTED]

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[REDACTED] The reasons for this new traffic pattern are four: the large shipment of food and materials for industrial construction to North China and Manchuria, the exports of fruit and nonferrous ores to the USSR, the increased military shipments to Korea, and fewer southbound coal shipments as a result of rising coal production in South China. The Ministry of Railways has not found a solution to this problem, but is strenuously attempting to find more goods for southbound trains.

Comment: This traffic imbalance may well develop into a chronic problem, as the industrialization of southern China lags behind that of Manchuria. Assuming that the agricultural areas of China proper receive no more than an equal value of imports for exports, the weight of agricultural and mineral shipments northward to Manchuria, Korea and the USSR should exceed the weight of industrial goods and petroleum products shipped to the south.

11. Production of some Chinese food crops believed up: The American Consul General in Hong Kong estimates that 21,659,350 metric tons of wheat were harvested in China proper in the late spring of 1952 and that the total harvest of winter crops was 38,492,800 metric tons. This total is 2.5 percent over the Consul General's estimate of the 1951 harvest, although still two percent under the 1931 to 1937 average harvest

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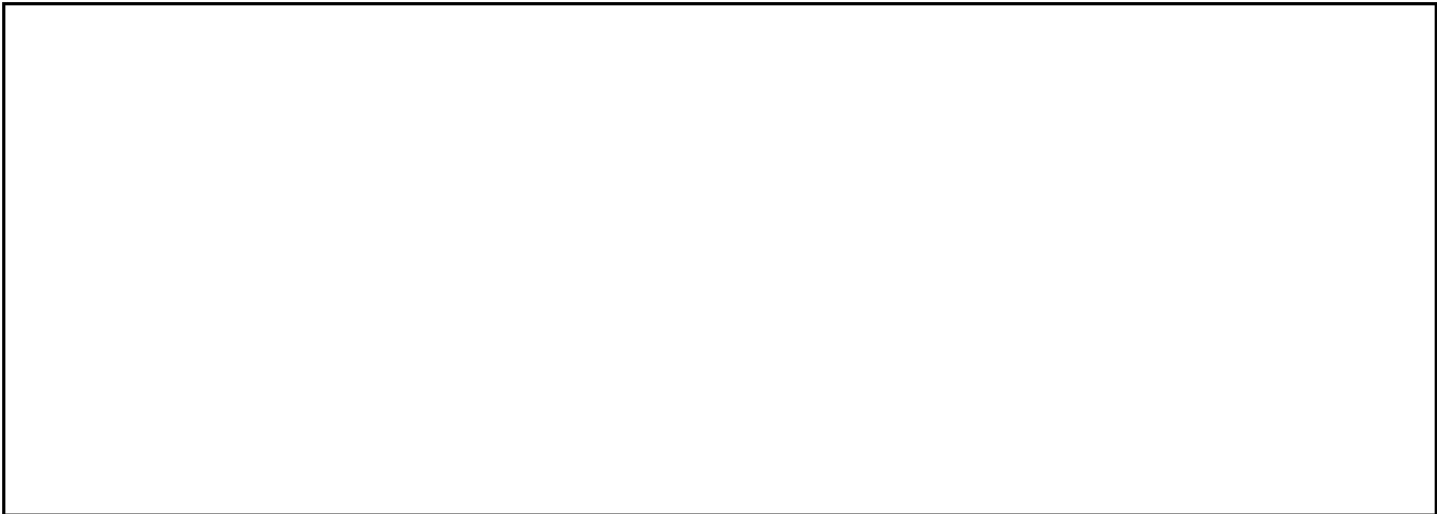
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of these crops in China proper. The Consul General believes that weather was more favorable in the 1951-1952 season and acreage increased as a result of Communist emphasis on increasing wheat production and on reclamation and water conservancy projects. [REDACTED]

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Comment: Peiping reported in early 1952 that the food production target for the year was eight percent over the 1951 yield. Since the winter crop harvest estimated by the Consul General constitutes only about one-third of China's total harvest for the year, Peiping's goal can still be reached if production of rice and other grains which have just been harvested is eleven percent better than in 1951.

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13. Chinese Nationalists concerned over high suicide rate in armed forces: Admiral Ma Chi-chuang, Commander in Chief of the Chinese Nationalist Navy, told the American Naval Attache that he was concerned over the suicide rate in the Nationalist Navy. There were over 50 suicides during the first six months of this year. Lieutenant General Kwei Yun-chin, a Senior Advisor to President Chiang Kai-shek, observed that the Chinese Nationalist Army and Air Force suicide rates were equally alarming.

Ma added that welfare and recreation programs were being promoted in the Navy to combat this suicide trend which has involved mostly young people, but he blamed anxiety over relatives on the mainland as a leading factor. [REDACTED]

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Comment: The American Military Mission on Formosa has estimated the morale of the Nationalist armed forces as good.

Nationalist officials, including Chiang Kai-shek, in their conversations with Americans continually emphasize the need and desirability of returning to the mainland in the immediate future. In addition, they have made repeated promises to the people on Formosa to invade the mainland, and the failure of these promises to materialize has undoubtedly had its effect on morale.

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Comment: Premier Chen, after a reported protracted illness, returned to Taipei on 2 October. The press states that he will soon resume office and will attend the Kuomintang congress and conference of Overseas Chinese.

Chiang Kai-shek will dominate the congress and the Central Executive Committee which the congress is expected to appoint. In the continual struggle between factions of the Kuomintang, Chiang can be expected to follow his usual pattern of proposing an agreement acceptable to both sides.

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SOUTHEAST ASIA

15. French in Indochina prepare Chinese refugees for repatriation: [redacted]

[redacted] about 5,000 Chinese refugees in Indochina will be ready for repatriation to Formosa before the end of the year if transportation can be arranged. The Chinese Consul General in Saigon has been informed that unless the Chinese Government is willing to accept this first group of 5,000, about half of whom are women and children and most of the other half unfit for military service, the French will not go through with the repatriation of military effectives. [redacted]

Comment: Contrary to a long-standing impression, it has recently been revealed by the French that only about a third of the 30,000 refugees interned by the French in Indochina since 1949 are troops, the other two thirds being camp followers. Since the Nationalist Government apparently has attached some importance to the repatriation of these refugees as a source of military manpower, it is not likely to be gratified by the French terms.

16. Cabinet crisis threatens in Indonesia: The Indonesian Government is threatened with an imminent cabinet crisis,

[redacted] Demands by elements of the two largest political parties that certain officials in the Defense Ministry and the army be purged are likely to result in the resignation of the Minister of Defense, and possibly in the fall of the cabinet.

President Sukarno has not revealed his position, but is believed to be displeased with the present government. [redacted]

Comment: The government has made little or no progress in dealing with widespread dissidence, but the impending crisis is more the result of political rivalries than of a genuine concern over the country's security.

Public and parliamentary criticism of the Defense Ministry is apparently Communist-inspired and purposely directed at undermining the position of the strongly anti-Communist Minister of Defense.

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WESTERN EUROPE

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19. Trieste Communist Party approved for membership in Cominform: Vittorio Vidali, leader of the Communist Party in Trieste, has reportedly announced that his party has been approved for membership in the Cominform and that it would receive directives from Cominform headquarters and not through the Italian Communist Party as in the past. Vidali also announced that a complete reorganization of the party would begin on 1 November in order to replace present leaders who have become passive. [REDACTED]

Comment: [REDACTED] Vidali's party is suffering from weak internal discipline and severe financial troubles. Freeing the party from Italian Communist control may be intended to give it added prestige.

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The Trieste Communist Party would be the first party to be added to the Cominform since its establishment in 1947.

20. East Germans bid boldly for support of former Nazis with new legislation: Legislation approved last week by the East German Parliament for the restoration of "civic rights of former officers of the fascist armed forces and of former members and supporters of the Nazi Party" and the accompanying amnesty granted political prisoners by President Pieck is an open bid for support from former Nazis on both sides of the interzonal border.

Contrasting East German rehabilitation policies with alleged West German persecution of the "small-fry" while the war criminals go free, spokesmen for the new measure called upon former Nazis to "take their place in the democratic order," to rally to the "peace banner," and to oppose American efforts to organize former Nazis in the West "for fratricidal war." This is clearly an attempt not only to broaden support among an important segment of the East German population and to utilize existing military talents, but also to encourage nationalist dissidence in West Germany. [REDACTED]

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21. Continued East German pressure for all-German talks considered likely: After hearing a report from the delegation to Bonn, the East German Volkskammer last week unanimously endorsed a resolution noting that West German Bundestag approval

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of the East German proposals is "expected" and expressing the hope that authorized delegations of the two parliaments would be able to reach agreement on "questions vital to the German nation."

Although the East Germans may be awaiting a reply from the Bundestag or possibly a new Soviet note on four-power talks, there is still a strong possibility of renewed East German overtures in the near future. While the statement from the delegation spokesman contrasted in belligerence and threats with the "reasonableness" previously displayed by the delegation, statements by President Pieck and Deputy Minister Nuschke immediately prior to this week's East German anniversary celebrations again strongly emphasized the theme of all-German negotiations.

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[REDACTED]

Continued East German failure to proclaim a national army and formal ties with the Soviet Union would suggest, however, a bitter-end continuation of current unification propaganda for the sake of the record.

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23. Top Italian official in Trieste chafes at restrictions on his authority: The Italian Senior Director of Administration in Zone A of Trieste, Giovanni Vitelli, has complained that his freedom of action is restricted without control of police and legal affairs, according to Gioacchino Palutan, the Italian president of the zone. Local Christian Democrats and members of the Istrian Committee of National Liberation have accused Vitelli of trying to concentrate all responsibility in his hands.

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25X1 Comment: Following the London agreement of 9 May 1952, which gave Italy a substantial share in the administration of Zone A, the British commander of the zone expressed the opinion that it would be politically impossible to resist, for any length of time, Italian encroachments on his authority and directing powers. Vitelli has impressed American and British authorities in Zone A as "cagey and assured in the strength of his position."

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**TOP SECRET SUPPLEMENT**

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GENERAL

1. Mexican proposal for ending Korean truce deadlock being seriously considered by UN delegates: Ambassador Austin reports general agreement among Secretary General Lie and various United Nations delegates, including leading members of the British and Brazilian delegations, that the Mexican proposal to end the Korean truce deadlock must be taken seriously, though it presents a difficult propaganda problem. They believe that the proposal will interest many delegations and that it should be made clear to the Assembly that the onus for any rejection of the proposal will be placed on the Communists.

Lie believes that the proposal should be taken up at Panmunjom since there is no risk of Communist acceptance.

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[REDACTED]

EASTERN EUROPE

2. Yugoslavs discuss strategy with Greeks and Turks: Members of the Yugoslav military mission to Greece and Turkey have told the G-3 of the Turkish General Staff that they do not think Soviet troops will be used against Yugoslavia. The Yugoslav officers feel that the Satellites, with some 50-60 divisions, have more than enough forces to make such an attack alone.

The Yugoslavs asked the Greeks what action they would take in case of a simultaneous attack on the two countries. The Greeks allegedly answered they would commence their defense along the border, and the Yugoslavs then said that since they were not directly threatened by Soviet troops, they would place one army close to the Greek border and concentrate their main effort in northern Yugoslavia. [REDACTED]

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Comment: The Yugoslav mission's talks with Greek and Turkish military leaders were unofficial, and no detailed or specific commitments or plans were discussed. Greek and Turkish military delegations will visit Yugoslavia in the near future, and it is expected that these meetings will lead to more specific coordination of defense plans.

WESTERN EUROPE

3. Schuman-Adenauer negotiations on the Saar at standoff:  
The unresolved issues between Chancellor Adenauer and French Foreign Minister Schuman over the Saar question center on the permanency of the settlement, France's economic ties with the Saar, and political freedom within the territory.

Adenauer claims to have made his maximum offer, which he says is supported by the government coalition and the opposition Social Democrats, when he proposed placing the territory under a European body, as well as local licensing of the pro-German parties and replacing the French-Saar conventions with new economic arrangements. The settlement would be provisional for five years.

Schuman agrees to Europeanization, but opposes licensing the pro-German parties and wants the French-Saar economic ties to be severed gradually as European integration progresses. He also insists that any steps taken now be permanent.

If the two positions are not reconciled by 10 October, the final date for parties to register for the Saar elections, the Saar Government will probably reject the applications of the pro-German parties. In that event, Franco-German negotiations will be considerably complicated. If an agreement is reached, however, the elections and the registration date will probably be postponed and no action taken regarding the pro-German parties.

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